



▲ ▲ ▲ National Federation of ALMOs  
▲ ▲ —————  
▲ ▲ ▲ championing better homes and communities

## Universal Credit – Progress Update

---

2016 NFA & ARCH Welfare Reform Survey Findings



## Introduction

This publication sets out the results of a survey launched in November 2016 of 33 stock retaining councils and Arm's Length Management Organisations (ALMOs). It reports figures as at 30 Sept 2016, and follows a survey conducted in April/May, which reported figures as at 31 March 2016. The findings will report longitudinal findings across the 20 organisations who previously completed the survey<sup>1</sup> and overall findings from all 33 participating organisations.

Universal Credit (UC) was introduced in April 2013. This system was introduced by the 2010 Coalition Government, to make work pay and to encourage benefit claimants into full time work. UC combines the following benefits and tax credits: Jobseeker's Allowance, Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit and Housing Benefit into one single monthly payment. On 3 May 2016 it was rolled out nationally to all Jobcentre Plus offices for single claimants, and is continuing to be expanded to include all claimant types via the full service<sup>2</sup>.

As at 30 September 2016, our survey respondents housed a total of 7,535 households who were in receipt of UC. Twelve of these organisations are based in the North of England, nine in the Midlands, eleven in the South and one in South West Wales. Collectively they manage a total of 456,959 homes. This survey provides an update on the impact of UC on levels of rent collection whilst exploring some of the factors which may be pushing more UC claimants into arrears.

### Key Findings

- **On the whole, a higher proportion of tenants (85%) claiming UC are in arrears compared to 39% of tenants overall.**
- **Since 31st March 2016, the proportion of households in arrears for the tracked cohort has increased overall from 31% to 37% and particularly among those claiming UC, from 79% to 86%.**
- **They also witnessed a decrease in the average a tenant owes across all households (£294.57 to £250.15) whilst for those on UC the average has nearly doubled from £321.05 to £615.89.**
- **For the tracked cohort 59% of those households on UC and in arrears owe more than one months' rent and 44% are subject to an APA.**
- **Across all 33 organisations, the average amount each tenant in arrears owes is £308.05 whilst for those on UC and in arrears it is more than double, £703.56. 59% of those households on UC and in arrears owe more than one months' rent and 42% are subject to an APA.**
- **76% of tenants on UC and in arrears had pre-existing arrears. Among the tracked cohort this was 63% compared to 51% as at 31 March 2016.**
- **Although, pre-existing arrears is an issue for many people moving onto UC it does not completely explain the higher levels of arrears among UC claimants. Within the tracked cohort only 50% of UC arrears can be attributed to pre-existing arrears, this has fallen from 69% in March 2016.**

<sup>1</sup> The term 'tracked cohort' refers to this sample of respondents used to show comparisons over time (as at Mar and Sept).

<sup>2</sup> For the latest national statistics on Universal Credit see [DWP \(2016\) Universal Credit: 29 Apr 2013 to 6 October 2016](#).

# Summary Findings

## Extent of the UC roll out

At the time of our initial survey on Universal Credit, as at 30 September 2015, 20 organisations housed a total of just under 2,000 households who were in receipt of UC<sup>3</sup>. By 31 March 2016 that figure had increased to just over 3,000<sup>4</sup> and now a year on this figure is more than 4,000. Including the remaining 13 organisations who participated in this survey, collectively our respondents house a total of 7,535 households in receipt of UC. However, due to the gradual rollout of UC these are spread rather unevenly with individual organisations having anywhere between 10 and over 1000 live cases each.

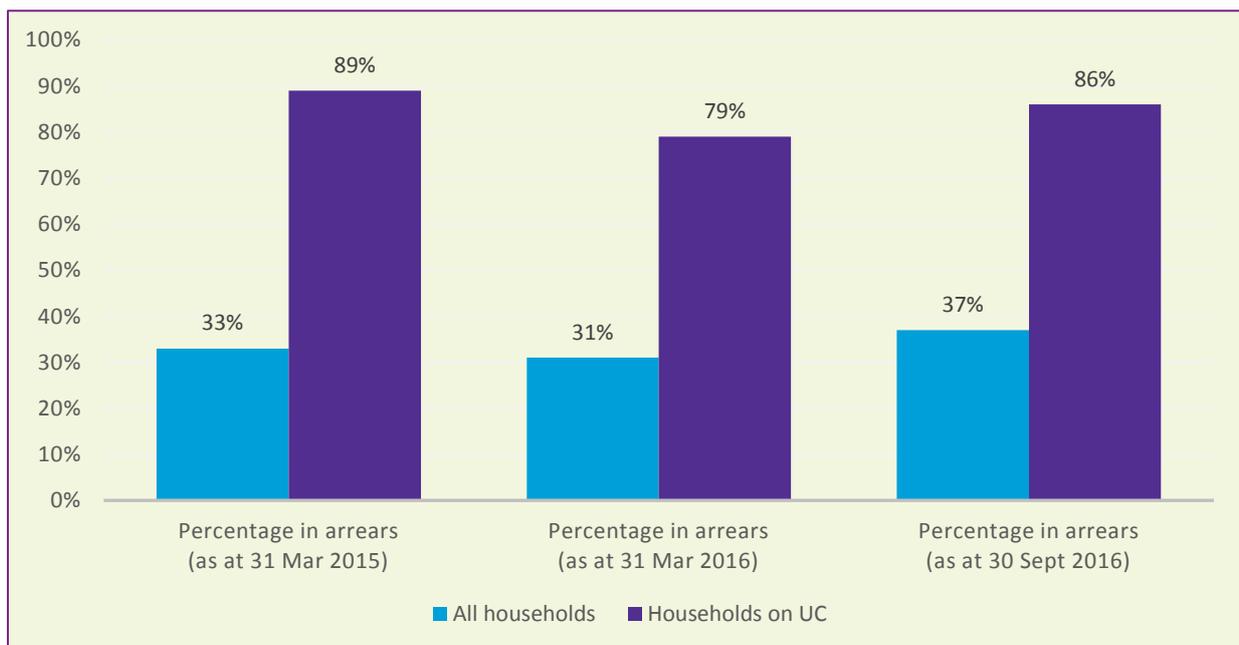
As at 30 Sept 2016 all 20 organisations were seeing new claims from single people without children being processed under UC in their area. Six were also beginning to see claims from other groups (i.e. couples and/or households with children). When expanding this cohort to all 33 participating organisations eight are accepting UC claims from other groups.

## UC and overall rent arrears

Compared to our previous surveys the proportion of households in arrears has increased both overall and specifically among those claiming UC. In addition, households in receipt of UC remain much more likely to be in arrears and also have, on average, larger levels of arrears than tenants in general. This is also the case when including the responses from the additional 13 organisations which participated in the survey.

Among the tracked cohort a very high proportion, 86%, of those receiving UC are in arrears, compared to just over a third of tenants overall. In total, the percentage of those on UC in arrears is slightly lower at 85% whilst the tenants in arrears overall is higher at 39%.

Figure 1: Percentage of households in rent arrears in 2015 and 2016



**\*Please note:** This chart shows comparisons based on the tracked cohort which participated in all three surveys, consisting of 20 arms-length management organisations and stock retaining councils.

<sup>3</sup> NFA and ARCH (2015) Measuring the Impact: 2015 NFA & ARCH Welfare Reform Survey Findings.

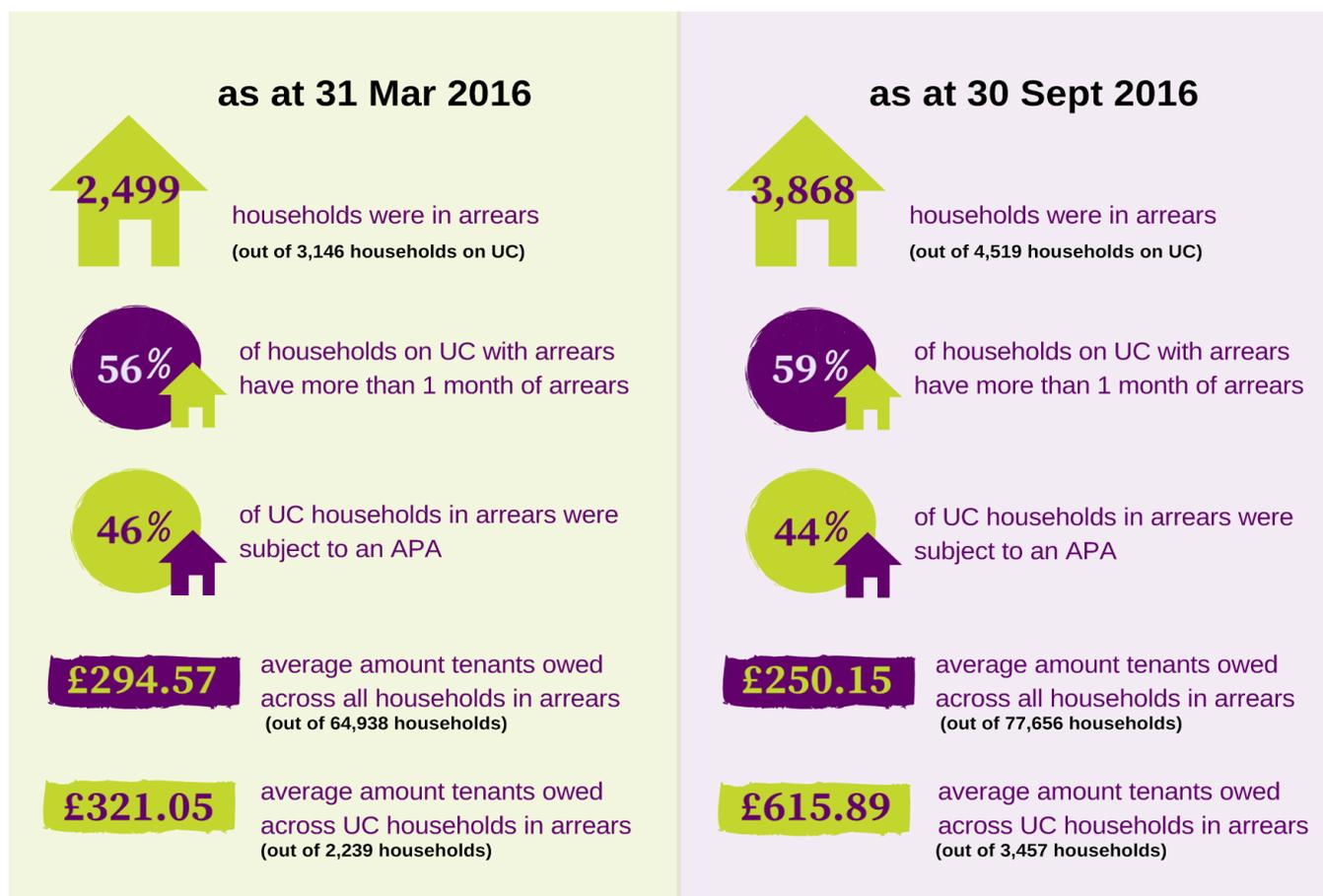
<sup>4</sup> See NFA and ARCH (2016) Universal Credit – One Year On for more information.

# UNIVERSAL CREDIT – PROGRESS UPDATE

2016 NFA & ARCH Welfare Reform Survey Findings

The 20 participating organisations which responded to the previous survey now house a total of 3,868 households who are both receiving UC and are in arrears. 59% of these owe more than one month/four weeks' worth of rent and 44% are subject to an alternative payment arrangement (APA)<sup>5</sup>. On average the each owe £615.89, which is nearly 2.5 times the average of £250.15 among all households in arrears. The figure below provides a side-by-side comparison of the impact of UC on the overall rent arrears over six months. The average amount of arrears a tenant owes across all households has decreased over this period whilst for those in arrears on UC it has nearly doubled. For the same organisations the value of overall rent arrears has slightly increased from £19.1m to £19.4m whereas the value of UC arrears has nearly doubled from £719k to £2.1m.

Figure 2: Impact of UC on overall rent arrears as at 31 March 2016 and 30 September 2016



\*Please note: This chart shows comparisons based on tracked cohort.

In total, all 33 organisations house a total of 6,371 households who are on UC and in arrears. 59% of these owe more than one month/four weeks' worth of rent and 42% are subject to an alternative payment arrangement (APA). On average the each owe £703.56, which is more than double the average of £308.05 among all households in arrears. Together, the 33 landlords owe £54.2m in rent arrears of which around £4.2m, approximately 8% of the total, is attributable to households in receipt of UC. This is despite those households making up fewer than 2% of their tenants.

## Direct Impact of UC on arrears

A vital question is the extent to which these arrears can be directly attributed to households moving on to UC.

19 out of 33 housing organisations were able to provide comparisons of their tenants' rent accounts before and after they went on to UC. This data shows that pre-existing arrears (i.e. tenants who were already behind on their rent

<sup>5</sup> Alternative Payment Arrangements were announced in February 2013 and include the following three options for claimants who require additional support in managing the standard UC payment: (1) Housing element of UC being paid directly to the landlord (2) split payments to members of a couple and (3) more frequent payment cycles. See Gov UK (2016) Personal Budgeting Support and Alternative Payment Arrangements April Guidance for more information.

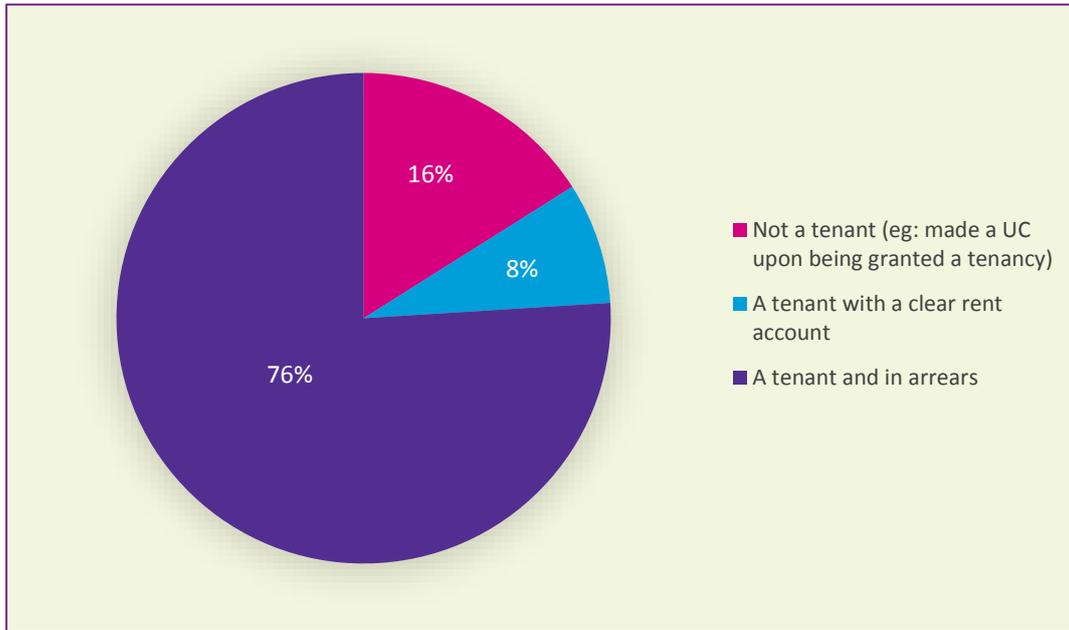
# UNIVERSAL CREDIT – PROGRESS UPDATE

2016 NFA & ARCH Welfare Reform Survey Findings

before they went on to UC) is a significant issue, but does not completely explain the higher levels of arrears among UC claimants.

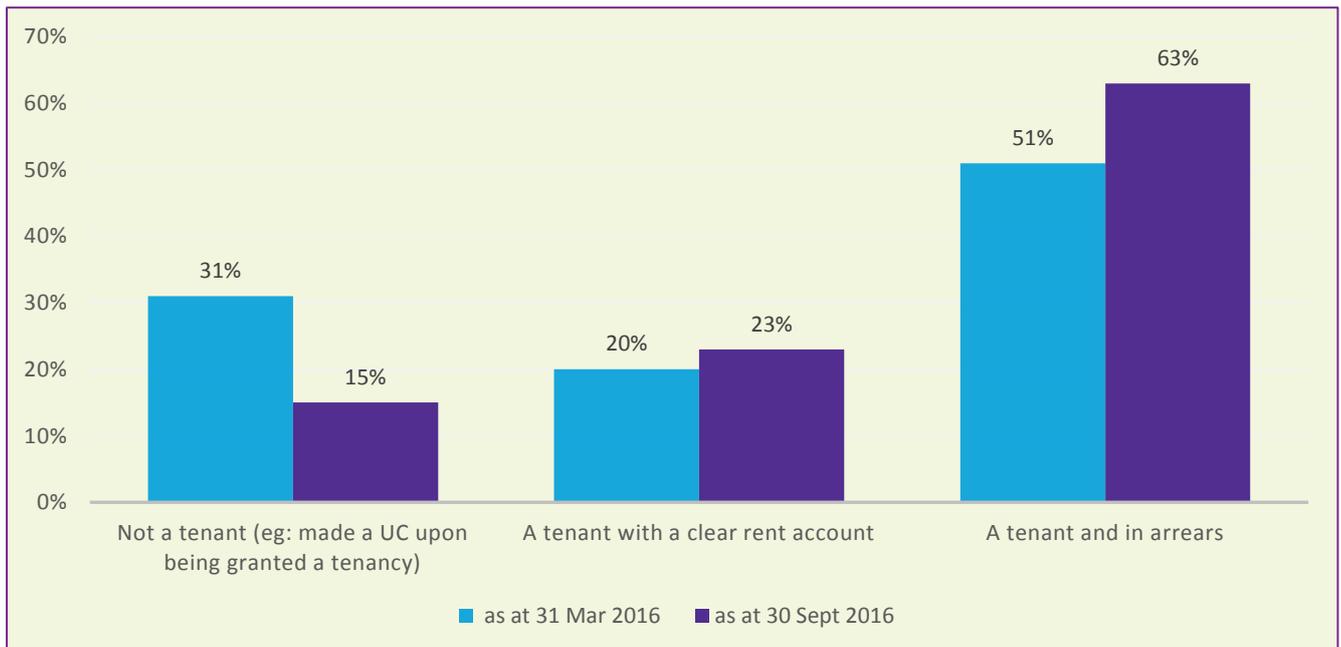
In total 76% of all those now on UC and in arrears were already behind on their rent before making their claim. The total value of these pre-existing arrears was approximately £1m out of the total £1.9m worth of arrears relating to UC cases.

**Figure 3: Status of households now on UC and in arrears prior to their UC claim**



The number of tenants which had pre-existing arrears before moving on to UC has slightly increased among the tracked cohort from 51% to 63%.

**Figure 4: Status of UC households in arrears prior to moving on to UC as at 31 Mar 2016 and 30 Sept 2016**



**\*Please note:** This chart reports the percentages across the tracked cohort. Percentages do not add up to 100% as they have been rounded to the nearest whole number.

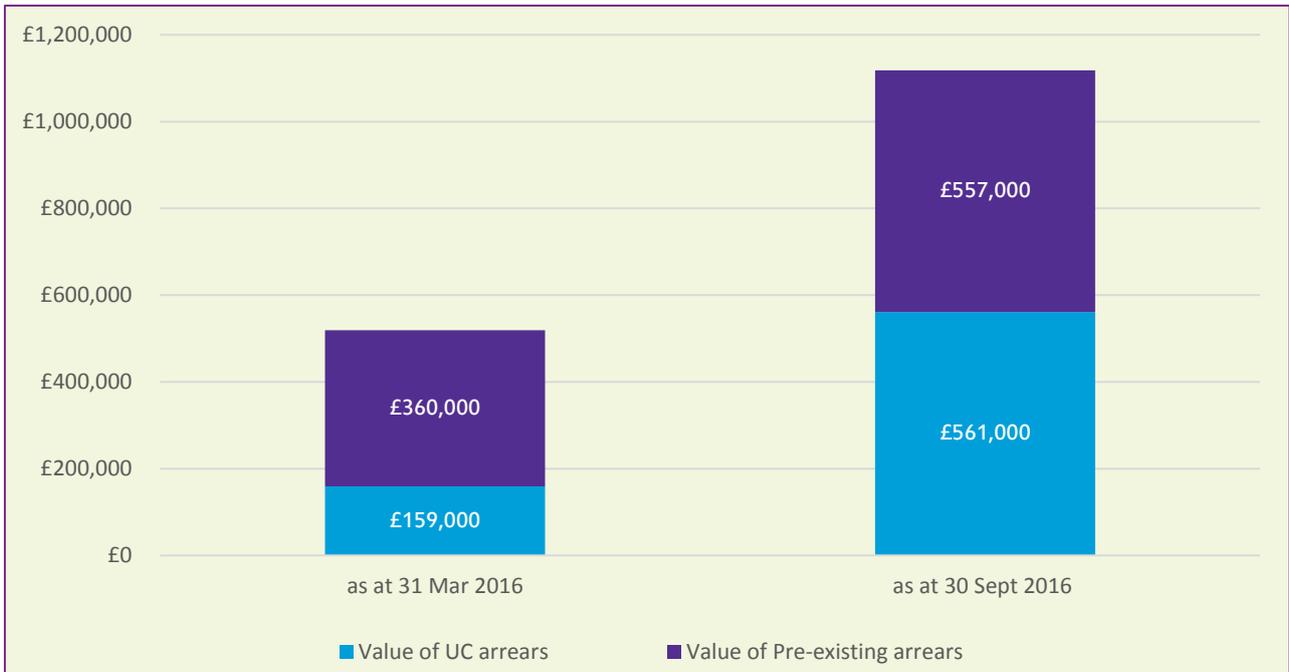
# UNIVERSAL CREDIT – PROGRESS UPDATE

## 2016 NFA & ARCH Welfare Reform Survey Findings

This suggests that not all arrears can be attributed to the rollout of UC, but that it has clearly had an impact on increasing both the number and value of tenants' arrears.

The total value of these pre-existing arrears has also increased from approximately £360,000 (69% of the total value of UC arrears) to £557,000 (50%).

**Figure 5: Total UC arrears split by pre-existing arrears and arrears relating to UC as at Mar 2016 and Sept 2016**



### Illustrative Examples

A local authority in Yorkshire and the Humber has 226 households in receipt of UC. Of these 187 have some rent arrears, totalling around £117,000. The majority (182) were already council tenants before they went on to UC and 137 already had some rent arrears. However the total value of these was only £59,000.

Similarly an ALMO in London has 58 live cases of UC, 53 of which are in rent arrears. All of these households were already tenants before they began claiming UC and 50 had some pre-existing arrears. However the total value of arrears among this group has increased from around £17,000 to around £32,000.

### Other consequences of the UC rollout

As well as increased rent arrears, the majority of organisations are still seeing (either frequently or very frequently) an increased demand for:

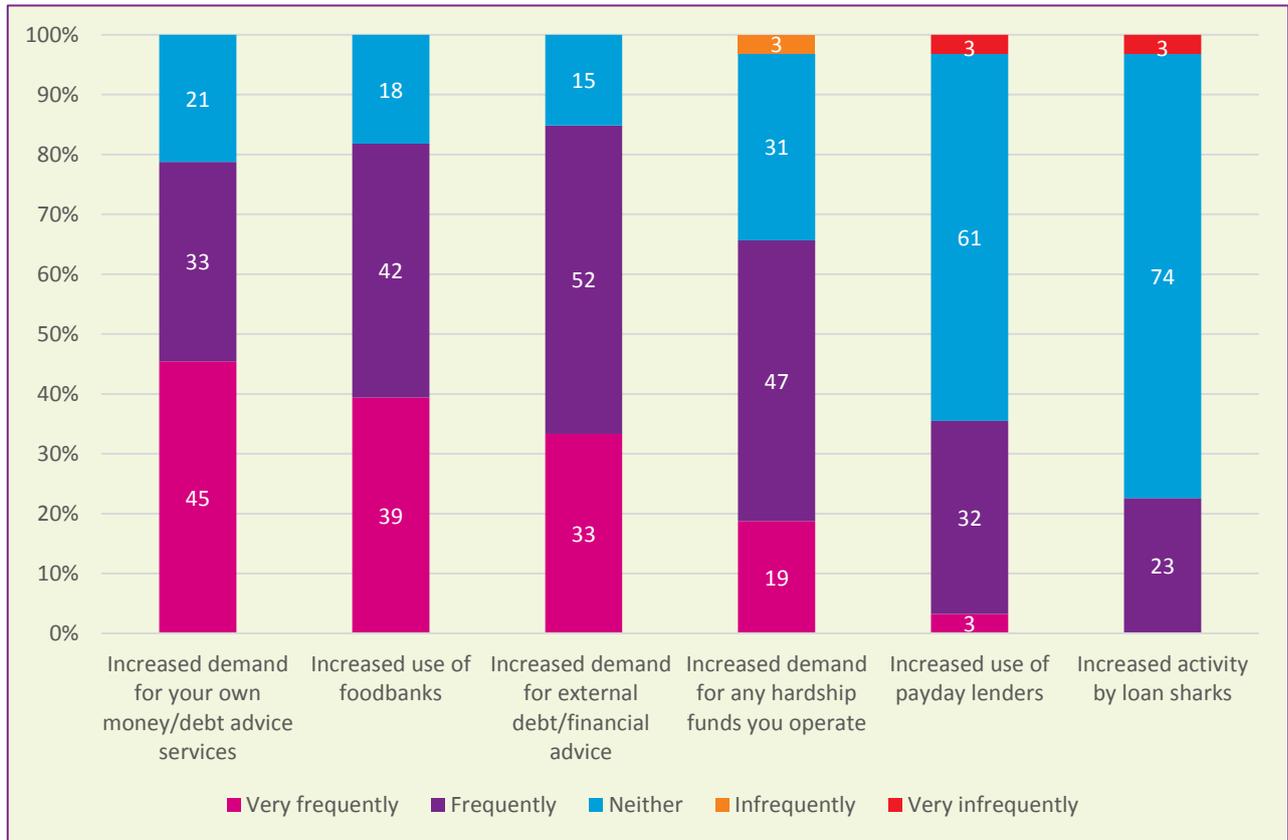
- in-house money/debt advice/financial inclusion services
- external debt/financial advice (citizens advice bureaux and credit unions)
- foodbanks
- local hardship funds

# UNIVERSAL CREDIT – PROGRESS UPDATE

## 2016 NFA & ARCH Welfare Reform Survey Findings

A higher number of respondents reported an increased use of loan sharks in their area since May 2016 (23% from 12%).

**Figure 6: The percentage of respondents who have seen other consequences as a result of the rollout of UC in their area**



## Factors causing higher levels of arrears among UC claimants

The majority of respondents still report the following as factors as either frequently or very frequently contributing to higher levels of arrears among households in receipt of UC. These include factors relating to tenant behaviour, administrative problems and issues with some specific elements of UC's design:

- the six week wait for a tenant's first UC payment (i.e. the seven day waiting period, plus payment in arrears)
- DWP not notifying landlords promptly when a tenant goes on to UC
- tenants already being in rent arrears before going on to UC
- UC payments not being made on time and/or correctly
- tenants already having difficulty with money management before going on to UC and/or using UC to pay off other debts
- mismatches between rent due dates and UC payment dates (i.e. tenants paying rent when they receive UC, rather than when it is due)
- tenants not recognising that they have a rent liability because their rent was previously covered by housing benefit
- delays in DWP processing UC applications
- tenants who require support going on to UC before they are ready (i.e. the tenant requires an APA but does not receive one until eight weeks' arrears are accrued)
- tenants having difficulty managing variable income (and therefore variable UC payments)
- tenants not realising that their final payment from their job before leaving can be considered savings to live on for the next month
- tenants being subject to a benefits sanction

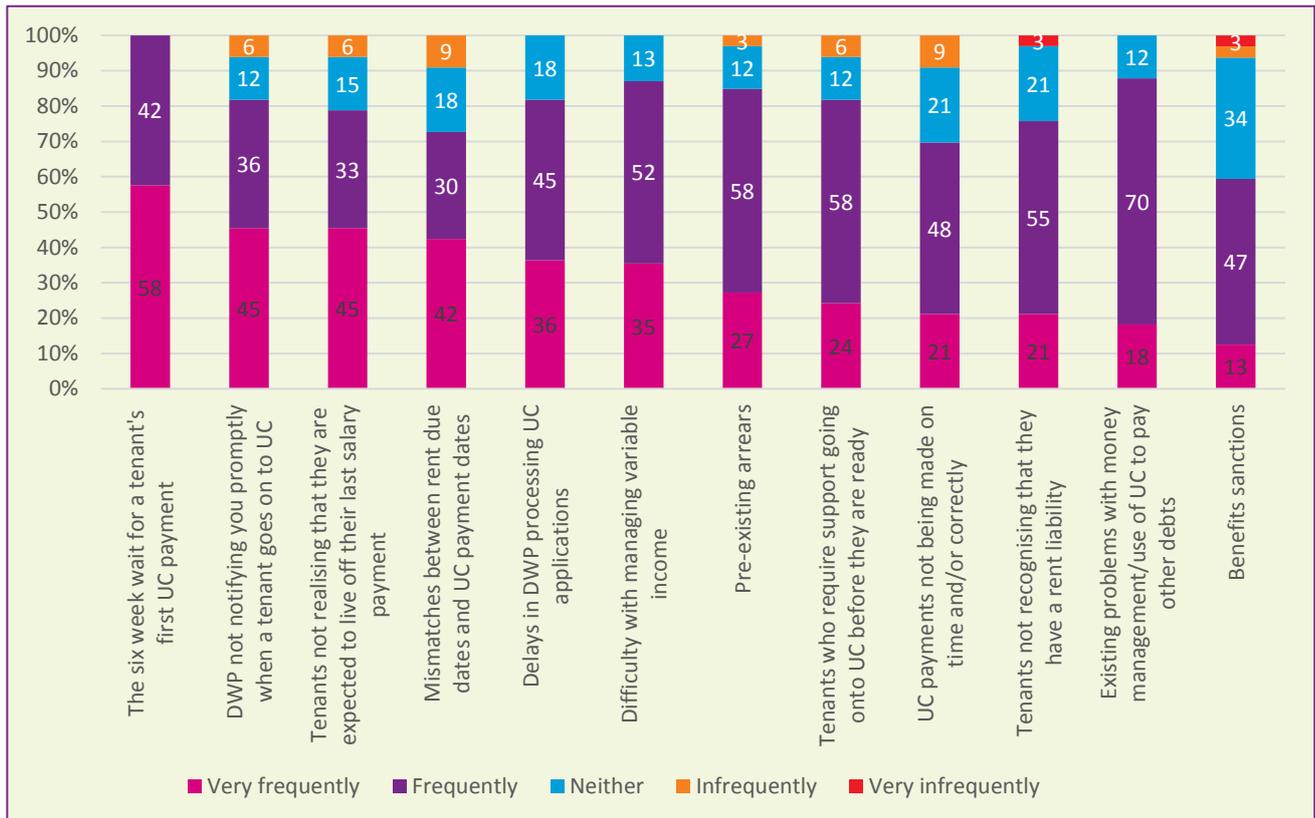
# UNIVERSAL CREDIT – PROGRESS UPDATE

## 2016 NFA & ARCH Welfare Reform Survey Findings

Although, there are a wide range of factors cited, there is an overwhelming consensus around the impact of the six week period. All respondents believe that the average six week waiting period is either very frequently or frequently a contributing factor in tenants falling into arrears. With many tenants not having sufficient savings (including their last pay cheque) to get through this period.

The six week waiting period is comprised of a week (where the claimant is not entitled to any award after submitting their claim), followed by a four week regular assessment period and a further week (this can be longer in some cases due to administrative problems) before the payment is typically received.

**Figure 7: The percentage of respondents saying particular issues are a factor in pushing households in receipt of UC into arrears**



Respondents continue to express support for a wide range of improvements to ensure that fewer claimants fall into arrears in the future. A number of these relate the administration of UC, whereby all or the vast majority of organisations have stated that they would either very likely or likely reduce the number of UC households in arrears including:

- improved DWP processes (i.e.: faster/more accurate processing of applications and payments)
- better training for Job Centre Plus staff, to improve understanding of housing issues
- landlords having more control over APAs
- better communication between landlords and DWP

The following improvements which relate to the specific design aspects of UC received a higher proportion of 'very likely' responses compared to those relating to administration.

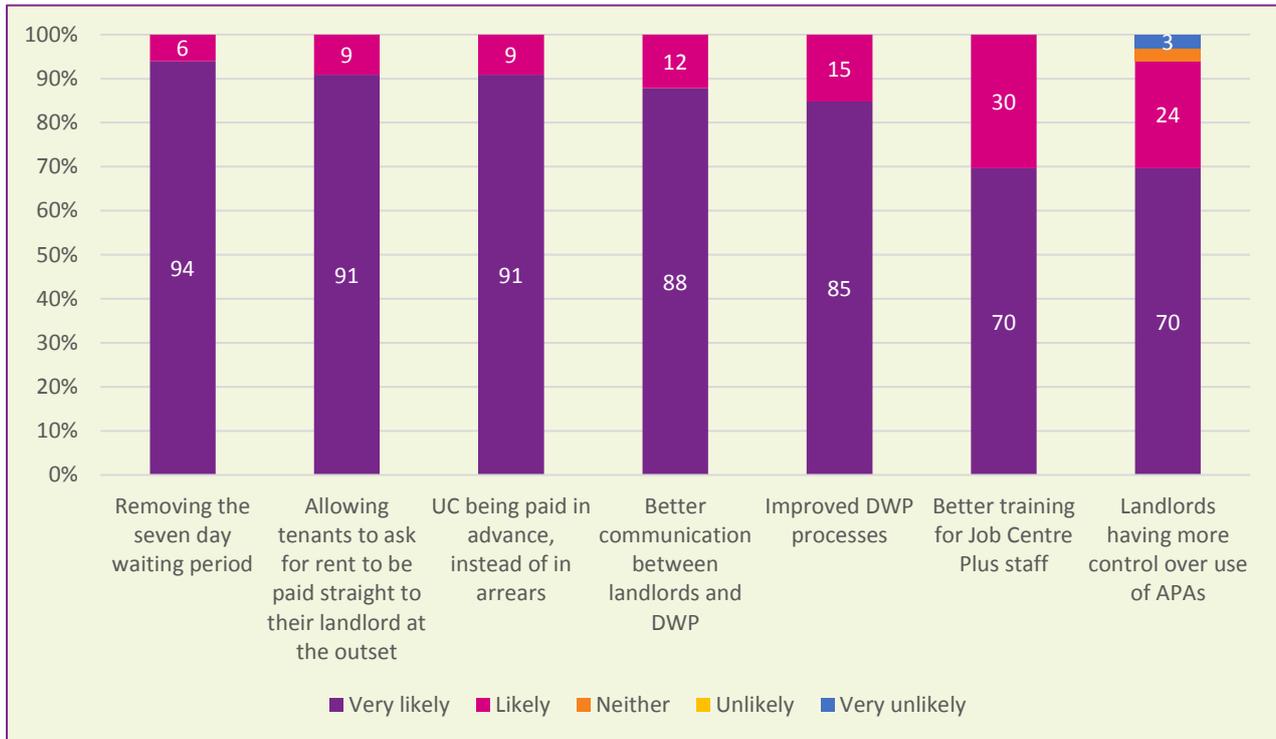
- removing the seven day waiting period
- allowing tenants to ask for rent to be paid straight to their landlord at the outset
- speeding up the UC assessment process to 3 weeks similar to the processing period for Housing Benefit.
- UC being paid in advance, instead of in arrears

# UNIVERSAL CREDIT – PROGRESS UPDATE

2016 NFA & ARCH Welfare Reform Survey Findings

In line with housing organisations’ concerns around claimants having to endure a significantly long waiting period for their first payment, there remains a strong consensus among participating organisations to remove the initial seven day waiting period. 31 respondents believed this would ‘very likely’ reduce arrears whereas the remaining 2 organisations consider it to ‘likely’ reduce arrears.

**Figure 8: How likely the suggested improvement would reduce levels of arrears according to survey respondents (percentages)**



Author – Manpreet Kaur, NFA Policy and Research Officer

Editor – Chloe Fletcher, NFA Policy Director, David Pipe, CIH Policy and Practice Officer & Matthew Warburton, ARCH Policy Adviser

Layout by Jeremy Spencer

Cover photograph: Designed by Freepik

Published by:

**NFA – National Federation of ALMOs**

Octavia House,  
Westwood Way Coventry  
CV4 8JP

 @nfa\_almos

Email: [info@almos.org.uk](mailto:info@almos.org.uk)

Website: [www.almos.org.uk](http://www.almos.org.uk)

Telephone: 024 7685 1729

**ARCH – Association of Retained Council Housing**

4 Riley Court Milburn Hill Road  
University of Warwick Science Park  
CV4 7HP

 @ARCH\_housing

Email: [info@arch-housing.org.uk](mailto:info@arch-housing.org.uk)

Website: [www.arch-housing.org.uk](http://www.arch-housing.org.uk)

Telephone: 024 7647 2711

Whilst all reasonable care and attention has been taken in compiling this publication, the authors, publishers and editorial team regret they cannot assume responsibility for any error or omission that it contains.